

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

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COME-00 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01 PC-01

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R 241525Z MAR 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 8128

INFO AMEMBASSY BOGOTA

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

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E.O. 11652: N/A

TAGS: ECIN, EINV

SUBJ: ANDEAN PACT: INTERNATIONAL SEMINAR ON FOREIGN
INVESTMENT REGULATIONS

1. FOLLOWING COMMENTS DRAFTED
BY REGIONAL INTEGRATION OFFICER
AMEMBASSY LIMA.

2. SUBJECT SEMINAR WAS SPONSORED BY ANDEAN PACT JUNTA, VENEZUELA'S
INSTITUTO DE COMERCIO EXTERIOR AND TWO VENEZUELAN UNIVERSITIES.
IT TOOK PLACE MARCH 19-22 AT THE MACUTO SHERATON. THERE WERE
12 SPEAKERS AND 106 PARTICIPANTS. THE LATTER CAME FROM 16
COUNTRIES, 23 OF THEM REPRESENTING BANKS AND 16 WERE
AMERICANS OR REPRESENTED U.S. FIRMS.

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3. THE SPEAKERS COULD BE ROUGHLY DIVIDED INTO THREE GROUPS:

(A) PERSONS WHO HAD A PART IN DRAFTING THE ANDEAN FOREIGN INVESTMENT CODE (DECISION 24) IN 1970; (B) CURRENT JUNTA OFFICIALS; AND (C) OUTSIDE ACADEMICIANS AND OTHER EXPERTS. THE FIRST GROUP SPENT HOURS REMINISCING AND PHILOSOPHIZING, WHILE THE SECOND GROUP REITERATED THE SAME ARGUMENTS REGARDING DECISION 24 AND TECHNOLOGY TRANSFER WHICH HAD BEEN HEARD SINCE 1970.

4. THE PREDOMINANCE OF THEORY OVER PRACTICAL ISSUES WAS ILLUSTRATED BY THE DISCUSSION ON DECISION 46 ON ANDEAN MULTI-NATIONAL ENTERPRISES. THE PANEL MEMBERS INSISTED ON THE MERITS OF AND NEED FOR DECISION 46, BUT NO ONE TOUCHED ON THE REAL BOTTLENECK: PERU'S DIFFICULTY IN HARMONIZING THIS PROVISION WITH ITS POLITICAL OUTLOOK AND NATIONAL ECONOMIC POLICIES.

5. THE HEAVY EMPHASIS ON THEORY AND PHILOSOPHY, WITHOUT FRANK DISCUSSION OF CURRENT INTEGRATION PROBLEMS AND WITH SEEMING DISREGARD FOR CONCEPTUAL AND PRACTICAL ADJUSTMENT PROBLEMS OF FOREIGN ENTERPRISES, MADE SOME FOREIGN PARTICIPANTS FEEL THAT THEY HAD WASTED THEIR MONEY IN COMING TO THE SEMINAR. PRACTICALLY THE ONLY APPLAUSE DURING THE SEMINAR WAS GIVEN TO A DANISH BANKER WHO EXPRESSED DOUBT THAT FIRMS FROM HIS COUNTRY WOULD TAKE THE INCENTIVE TO NEGOTIATE INVESTMENT OR TECHNOLOGY AGREEMENTS IN THE ANDEAN COUNTRIES IF THEY WERE LUMPED INTO THE UNDEFINED CATEGORY OF "TRANSNATIONAL ENTERPRISES" AND SUBJECT TO UNREASONABLE PROFIT REMITTANCE LIMITATIONS, ETC.

6. TWO OF THE OUTSIDE ACADEMICIANS, EDITH PENROSE OF LONDON SCHOOL OF ECONOMICS AND JERRY HELLEINER OF UNIVERSITY OF TORONTO DISCUSSED TRANSNATIONAL CORPORATIONS IN A RELATIVELY OBJECTIVE WAY. PENROSE WORRIED ABOUT WHAT HAPPENS AFTER FOREIGN FIRMS ARE NATIONALIZED. SHE DETAILED THE CURRENT PROBLEMS OF THE ARAB COUNTRIES IN THIS REGARD. HELLEINER STRESSED THAT INFORMED AND INTELLIGENT NEGOTIATION WITH FOREIGN FIRMS WOULD BENEFIT THE ANDEAN PACT MORE THAN IMPOSITION OF DETAILED REGULATORY DEVICES.

7. SHANE HUNT OF BOSTON UNIVERSITY SAID SOME QUESTIONABLE THINGS, BUT MADE ALSO THE FOLLOWING INTERESTING COMMENT: DECISION 24 IS CONSIDERED HOSTILE BY MULTINATIONAL CORPORATIONS LIMITED OFFICIAL USE

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(MNC'S). IF "DOES NOT MAKE THE RIGHT NOISES." OTHER COUNTRIES MAY HAVE EQUALLY STRICT RULES, BUT WITH A POSITIVE APPROACH THEY HAVE NO PROBLEM IN GETTING MNC'S TO THE NEGOTIATING TABLE. THE WORDING OF DECISION 24 RAISES FEARS NOT SO MUCH OF NATIONALIZATION, BUT OF HARASSMENT AND OF SUFFOCATING BUREAUCRATIC PROCESS. BRIBING WILL STILL BE POSSIBLE AS ALWAYS, BUT THERE WILL BE AN ADDED BURDEN ON MANAGERIAL TIME IN FIGHTING BUREAUCRACY.

8. MIGUEL WIONCZEK WAS ONE OF THE ORIGINAL DESIGNERS OF DECISION 24. AT THIS SEMINAR, HOWEVER, HE HANGED HIS IMAGE. HE SECONDED HUNT REGARDING THE PROBLEMS OF INEPT BUREAUCRACY AND ALSO MADE KNOWLEDGEABLE PRESENTATIONS ON FOREIGN BANKING AND ON MEXICAN TECHNOLOGY TRANSFER POLICIES. HIS APPROACH WAS PRAGMATIC AND APPEALED TO MOST PRIVATE SECTOR SEMINAR PARTICIPANTS.

9. IF THE OBJECTIVE WAS TO IMPRESS PARTICIPANTS WITH PROGRESS IN ANDEAN PACT AND MERITS OF DECISION 24, THEN THE SEMINAR WAS NOT PARTICULARLY SUCCESSFUL. THE PRESENTATIONS BY THE ANDEA PANEL MEMBERS WERE NOT VERY INSPIRING. THE MOST STIMULATING DISCUSSIONS CAME FROM THE FOREIGN SPEAKERS AND FROM THE FEW INTERVENTIONS WHICH CAME FROM THE FLOOR. IN GENERAL, THE PARTICIPANTS DID NOT SEEM TO HAVE RAPPORT WITH THE SPEAKERS.

10. THE IDEA FOR THE SEMINAR PROBABLY CAME PRIMARILY FROM JUNTA MEMBER FELIPE SALAZAR. VENEZUELANS AT THE OFFICIAL LEVEL DID NOT SEEM TO PURSUE ANY PARTICULAR LINE OF REASONING OR OBJECTIVE.
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